

## Dell Inc.

### Limited Leverage Likely Stings the Comeback Story; Macro Issues Could Be the Bigger Hurdle

Underweight-rated Dell reported better than expected F1Q11 revenue and EPS. Large enterprise and SMB offset weakness in the Public segment. Gross margins improved modestly, but we do not think enough relative to the revenue beat. With enterprise PCs increasing as a part of the revenue mix and component costs still a headwind, we think that investors may be resigned to a 17-18% gross margin range, versus 18-19%, which could keep the stock under pressure in the near term.

- **Dell delivers better than expected F1Q11 results, but there were some blemishes.** Dell's F1Q11 revenues and EPS came in better than expected. There were no surprises on the top-line beat, as investors had been expecting such. In contrast, gross margins stand to be a disappointment for investors, in our view. Despite another top-line beat, margins lacked major upward mobility. Cash flow from operations also was light.
- **Gross margin trajectory remains uncertain.** Dell reported F1Q11 gross margins of 17.6%, which came in lighter than the 17.9% we had been expecting. We think investors had begun to expect 18% or better given the potential for revenue upside from the commercial segment, which carries higher margins. In our view, the F1Q11 performance stands to frustrate investors in the near term as a potential reversion to a 17-18% gross margin range is contemplated.
- **Business outlook is incrementally positive.** Dell cited an improving economic outlook with increased IT spending across all of its segments. The company commented that it is seeing the early stages of a corporate IT refresh cycle, which stands to benefit the commercial business. Here, the company expects the PC refresh cycle to accelerate into 2H 2010 and for increasing demand trends to continue. The partial offsets are weaker expectations for commercial customers in the U.S. and EMEA during the summer.
- **Longer-term risks still construct a high hurdle.** Dell faces macro issues as well as long-term challenges related to its business transformation. In our view, both of these factors stand to limit the stock's upside potential. Currently, Euro-zone challenges and a potential slowdown in China stand to impact technology stocks, including Dell. Beyond the macro challenges, we are wary of what lies beyond the hill for Dell as relates the model transformation. We think the company must make several acquisitions to transform the business model, and these acquisitions stand to be expensive and complex, likely increasing execution risk in the model.

#### Dell Inc. (DELL;DELL US)

	2010A	2011E (Old)	2011E (New)	2012E (Old)	2012E (New)
EPS Reported (\$)					
Q1 (Apr)	0.25A	0.27	0.30A	0.29	0.32
Q2 (Jul)	0.29A	0.29	0.31	0.31	0.33
Q3 (Oct)	0.23A	0.31	0.33	0.34	0.35
Q4 (Jan)	0.28A	0.31	0.33	0.35	0.35
FY	1.05A	1.19	1.27	1.29	1.35
Revenues FY (\$ mn)	52,902A	59,080	61,710	61,819	64,773

Source: Company reports and J.P. Morgan estimates. Note: above EPS figures include stock-based compensation expense.

## Underweight

DELL, DELL US

Price: \$14.32

Price Target: \$15.50

### IT Hardware

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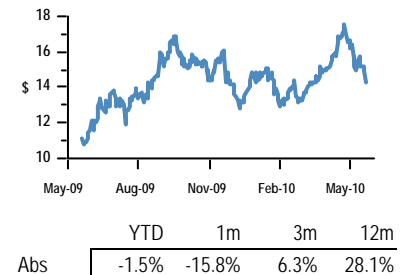
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J.P. Morgan Securities Inc.

### Price Performance



Company Data	
Price (\$)	14.32
Date Of Price	20 May 10
52-week Range (\$)	17.52 - 10.59
Mkt Cap (\$ bn)	28.25
Fiscal Year End	Jan
Shares O/S (mn)	1,973
Price Target (\$)	15.50
Price Target End Date	31 Dec 10

See page 9 for analyst certification and important disclosures.

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## Overview

Underweight-rated Dell reported better than expected F1Q11 revenue and EPS. Large enterprise and SMB offset weakness in the Public segment. Gross margins improved modestly, but we do not think enough relative to the revenue beat. With enterprise PCs increasing as a part of the revenue mix and component costs still a headwind, we think that investors may be resigned to a 17-18% gross margin range, versus 18-19%, which could keep the stock under pressure in the near term.

### Key Points

#### **Dell delivers better than expected F1Q11 results**

Dell's F1Q11 revenues and EPS came in better than expected. There were no surprises on the top-line beat, as investors had been expecting such. In contrast, gross margins stand to be a disappointment for investors, in our view. Despite another top-line beat, margins lacked major upward mobility.

Dell reported revenue and non-GAAP EPS of \$14.874 billion and \$0.30, versus Street consensus estimates of \$14.243 billion and \$0.27. Gross and operating margins were 17.6% and 5.5%, versus 17.4 and 5.4% in the prior quarter. In the quarter, cash flow was somewhat underwhelming at \$238 million.

Dell commented that component costs were still having an impact, which is why there was a strategic inventory buy during the quarter. The company revived its share repurchase program, which is a signal of its confidence in the model, in our view. We think that investors may see this move as a sign of a potential breather in Dell's acquisition strategy as asset prices have continued to rise despite the recent equity market correction. In our view, the move is probably more about signaling confidence in the model as the transformation efforts are likely to continue.

#### **Gross margin trajectory remains uncertain**

Dell reported F1Q11 gross margins of 17.6%, which came in lighter than what we and investors had been expecting. Our estimate had been 17.9%, and we think investors had begun to expect 18% or better given the potential for revenue upside from the commercial segment, which carries higher margins. In our view, the F1Q11 performance stands to frustrate investors in the near term as a potential reversion to a 17-18% gross margin range is contemplated.

Continued component cost pressures and margin pressures from increasing sales of PCs in commercial may more than offset any benefits of increasing sales from servers, in our view. This dynamic, if sustained, could challenge the Bulls' view that Dell can harvest meaningful operating leverage in an upturn. We need to see a sustainable upward trend in gross margins before becoming more constructive on the stock.

#### **Business outlook is incrementally positive**

Dell cited an improving economic outlook with increased IT spending across all of its segments. The company commented that it is seeing the early stages of a corporate IT refresh cycle, which stands to benefit the commercial business. Here, the company expects the PC refresh cycle to accelerate into 2H 2010 and for

increasing demand trends to continue, spurred by the transition to Windows 7 and Office 2010. However, Dell pointed to just a seasonal 2Q, driven by expectations for slower demand from commercial customers in the U.S. and Europe.

### Longer-term risks still construct a high hurdle

Dell faces macro issues as well as long-term challenges related to its business transformation. In our view, both of these factors stand to limit the stock's upside potential. Currently, Euro-zone challenges and a potential slowdown in China stand to impact technology stocks, including Dell. Despite this macro uncertainty, we believe that the technology spending environment will chug along this year. The risk for Dell, though, is that Hewlett-Packard, Acer, and Lenovo turn up the heat in the SMB and enterprise segments, which could have an impact on pricing and margins, and compound the current easing in Dell's high-margin Public segment.

Beyond the macro challenges, we are wary of what lies beyond the hill for Dell as relates to the model transformation. We think the company must make several acquisitions to transform the business model, and these acquisitions stand to be expensive and complex, likely increasing execution risk in the model. If the margin story in the near to mid-term does not improve, then this long-term execution risk related to the transformation could be too much to attract incremental buyers of the stock, in our view.

### F1Q11 Results Recap

Dell reported F1Q11 revenue and non-GAAP EPS of \$14.874 billion and \$0.30, versus our estimates of \$14.396 billion and \$0.27. The Street consensus had been at \$14.243 billion and \$0.27 prior to the report. Non-GAAP gross and operating margins were 17.6% and 5.5%, versus our estimates of 17.9% and 5.1%. The company generated \$238 million in cash flow from operations and ended the quarter with \$10.882 billion in cash and equivalents.

Dell resumed its stock buyback program and repurchased \$200 million of shares during the quarter. The resumption of the buyback program could signal Dell's greater confidence in its model or that the acquisition pace may slow as asset prices have risen despite the recent equity market correction. We think the buyback activity is more a reflection of the company's confidence in its model finding firmer footing.

Table 1: Dell Inc. Actual Results versus J.P. Morgan and Consensus Estimates

\$ in millions, except per share data

	April Quarter		
	Actual	JPMc	Consensus
Revenues	\$14,874	\$14,396	\$14,243
Gross Margin %	17.6%	17.9%	
Operating Margin %	5.5%	5.1%	
Adjusted EPS	\$0.30	\$0.27	\$0.27
Segments:			
Desktop PCs	\$3,585	\$3,225	
Notebook PCs	4,563	4,498	
Servers	1,785	1,681	
Storage	554	584	
Services	1,891	1,907	
Software and Peripherals	2,496	2,502	

Source: Company reports and J.P. Morgan estimates.

## Summary of Operating Segments

### *Large Enterprise*

Large Enterprise revenues of \$4.246 billion were up 25% YoY, and units increased 28% YoY. Operating margins were flat sequentially at 6.7%. The company exhibited strength in servers (up 61% YoY) and services (up 44% YoY). Dell commented that it is in the early stages of a corporate refresh cycle as enterprises increase purchases of servers, storage, and services. We believe this uptake is being driven by a Nehalem-led server refresh, which should continue this year and next. The offset, though, is that enterprise PCs carry lighter gross margins and as this business continues to rebound, gross margin may lack upward mobility.

### *Public*

Public revenues of \$3.856 billion were up 22% YoY, and segment operating margins decreased 100 bps QoQ to 7.7%. Services revenue more than doubled for the second straight quarter driven by Perot Systems, though the company noted muted demand in the U.S. Federal segment and EMEA. The mix means that State and Local governments had a bigger impact than usual, which is a dampener as the Federal mix historically is higher margin.

### *SMB*

SMB revenues of \$3.524 billion were up 19% YoY, and segment operating margins increased 40bps to 8.9% QoQ. The company exhibited double-digit unit growth in servers, networking, and clients on an annual basis.

### *Consumer*

Consumer revenues of \$3.248 billion were up 16% YoY, and segment operating margins increased 30 bps to 0.5% QoQ. Total units increased 20% QoQ. Within Consumer, mobility revenue increased by 18% YoY while mobility units increased 29% YoY. Dell reiterated its target of reaching 1-2% operating margins in this segment.

Table 2: Recap of Segment Operating Margin Performance

Based on Non-GAAP Financial Accounting

	F1Q10	F2Q10	F3Q10	F4Q10	F1Q11
Large Enterprise	5.6%	5.2%	5.1%	6.7%	6.7%
Public	9.2%	10.1%	9.5%	8.7%	7.7%
SMB	7.8%	8.7%	9.5%	8.5%	8.9%
Consumer	0.0%	3.1%	0.4%	0.3%	0.5%
<b>Total</b>	<b>5.2%</b>	<b>6.3%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>5.5%</b>

Source: Company reports.

## Earnings Outlook

### Summary financial model presented at the end of this report.

For the July quarter, our revised revenue and non-GAAP EPS estimates are \$15.266 billion and \$0.31, versus \$14.550 billion and \$0.29 previously. Our revised gross and operating margin assumptions are 17.7% and 5.8%, versus 18.0% and 5.4% previously. For reference, the company reported gross and operating margins of 17.6% and 5.5% this quarter, which means we are not expecting too much in the way of incremental operating leverage as the enterprise PC mix, lighter Public mix, and component cost pressures all have an impact on the model.

Our fiscal 2011 and 2012 operating estimates are detailed in the below table and summary financial model at the end of this report. While we are moderately reducing our gross margins assumptions, there is an offset from the recent trend-line of lower OpEx investments. We are assuming a lower OpEx ratio in forward quarters this year and next as the company appears focused on setting up a partial buffer to the gross profit bumpiness.

Table 3: Dell Inc. – J.P. Morgan New versus Old Estimates

\$ in millions, except per share data

	July Quarter		Fiscal 2011		Fiscal 2012	
	JPMc New	JPMc Old	JPMc New	JPMc Old	JPMc New	JPMc Old
Revenues	\$15,266	\$14,550	\$61,710	\$59,080	\$64,773	\$61,819
Gross Margin %	17.7%	18.0%	17.7%	17.9%	17.9%	18.0%
Operating Margin %	5.8%	5.4%	5.8%	5.4%	5.8%	5.7%
Adjusted EPS	\$0.31	\$0.29	\$1.27	\$1.19	\$1.35	\$1.29
Segments:						
Desktop PCs	\$3,693	\$3,249	\$14,770	\$13,100	\$14,565	\$13,090
Notebook PCs	4,766	4,542	19,450	18,483	20,903	19,310
Servers	1,802	1,639	7,233	6,637	7,562	6,442
Storage	569	594	2,319	2,435	2,564	2,703
Services	1,910	1,969	7,734	8,087	8,247	9,090
Software and Peripherals	2,526	2,557	10,203	10,337	10,932	11,185

Source: Company reports and J.P. Morgan estimates.

## Valuation, Rating and Price Target Analysis

**We maintain our Underweight rating and Dec-10 price target of \$15.50.** Our price target is derived from a weighted blend of EV/EBITDA and P/E scenarios (see below tables) utilizing historical peak/trough multiples. Currently, Dell trades at 11.3x our revised calendar 2010 EPS estimate, versus the peer group average of 14.2x. We think uncertainty related to sustainable margin improvements and the longer-term challenges related to the business transformation are likely keep the EPS growth potential below that of the peers. To point, Dell reported better than expected F1Q11 revenue and EPS, but gross margins improved modestly and not enough relative to the revenue beat. With enterprise PCs increasing as a part of the revenue mix and component costs still a headwind, we think that investors may be resigned to a 17-18% gross margin range, versus 18-19%, which could keep the stock under pressure in the near term. As a result, we prefer cleaner EPS and cash flow stories such as Apple, HP, and IBM.

Table 4: Dell Inc. P&L Scenarios

\$ in millions, except per share data, C2010E

	Worst Case	Base Case	Best Case
Sales	\$56,870	\$61,710	\$64,011
Y/Y growth %	7.5%	16.7%	21.0%
Operating profit	\$2,559	\$3,565	\$4,481
% of sales	4.5%	5.8%	7.0%
Interest/other inc. (exp.)	(595)	(595)	(595)
Pre-tax income	\$1,964	\$2,970	\$3,886
Income taxes	\$584	\$884	\$1,156
Tax rate	29.8%	29.8%	29.8%
<b>EPS</b>	<b>\$0.70</b>	<b>\$1.06</b>	<b>\$1.38</b>
Y/Y growth %	-33.3%	0.9%	32.0%
Diluted shares	1,976	1,976	1,976
D&A	\$1,020	\$1,020	\$1,020
EBITDA	\$3,579	\$4,585	\$5,501
% of sales	6.3%	7.4%	8.6%

Source: J.P. Morgan estimates.

Table 5: Dell Inc. EV/EBITDA

\$ in millions, except per share data, C2010E

	Worst Case	Base Case	Best Case
EV/EBITDA multiple	5.0x	6.0x	7.0x
Implied enterprise value	\$17,895	\$27,511	\$38,504
Net debt	(\$7,677)	(\$7,677)	(\$7,677)
Implied market cap	\$25,572	\$35,189	\$46,181
<b>Implied stock price</b>	<b>\$12.94</b>	<b>\$17.81</b>	<b>\$23.37</b>
Probability	20%	60%	20%
<b>Average stock price</b>	<b>\$17.95</b>		

Source: J.P. Morgan estimates.

Table 6: Dell Inc. Forward P/E

\$ in millions, except per share data, C2010E

	Worst Case	Base Case	Best Case
P/E Multiple	10.0x	12.0x	14.0x
<b>Implied stock price</b>	<b>\$6.98</b>	<b>\$12.67</b>	<b>\$19.34</b>
Probability	20%	60%	20%
<b>Average stock price</b>	<b>\$12.87</b>		

Source: J.P. Morgan estimates.

Table 7: Dell Inc. Blended Price Target

	Price	Weight
EV/EBITDA	\$17.95	55%
P/E	\$12.87	45%
<b>Average stock price</b>	<b>\$15.50</b>	

Source: J.P. Morgan estimates.

## Risks to Our Rating and Price Target

### **Regional economic developments benefit Dell's model more than peers**

We continue to expect the global economic recovery to benefit our entire IT Hardware sector. If Euro-zone economic issues suddenly lead to deterioration in purchasing power, and thus, demand in that region, then companies such as Dell with less relative exposure to Europe could begin to outpace the peer group. In such a case, our rating and price target on Dell could have upside risk.

### **Enterprise PC refresh cycle disproportionately benefits Dell**

Our view on Dell continues to expect increasing competition pressures in the Enterprise PC segment. HP is number one in market share globally in Enterprise PCs, followed by Dell. HP's lead is nearly 300 basis points. We expect Hewlett-Packard and Acer to keep chipping away at Dell's legacy Enterprise market share. Should Dell significantly outpace its peers in terms of growth from the nascent Enterprise PC refresh cycle, then our view on the stock could be at risk to the upside.

### **Dell's model transformation does not upend EPS or cash flow growth**

Dell has highlighted its plans to transform its business model beyond a box maker. We do not expect this multi-year initiative to be easy. The company does not possess the assets to be a one-stop shop for IT solutions. We think that Dell's transformation will require tens of billions of dollars of inorganic investments in outsourcing/consulting services, networking, storage, and infrastructure software. These investments and related integration could upend the EPS and cash flow profiles at the company. If these execution risks do not materialize, then our view on the stock could be at risk to the upside.

### **Market share shifts work in Dell's favor**

Our view on Dell assumes that the company faces increasing competition from Hewlett-Packard and Acer in PCs and Hewlett-Packard and IBM in servers. Should competitive pressures ease or Dell takes market share, then our view could be at risk to the upside.

## Dell Inc.: Summary of Financials

Income Statement - Annual				Income Statement - Quarterly			
	FY10A	FY11E	FY12E		1Q11A	2Q11E	3Q11E 4Q11E
Revenues	52,902	61,710	64,773	Revenues	14,874	15,266	15,588 15,982
COGS	43,372	50,791	53,179	COGS	12,260	12,564	12,813 13,153
Gross profit	9,530	10,920	11,595	Gross profit	2,614	2,702	2,775 2,829
SG&A	6,465	7,085	7,448	SG&A	1,730	1,756	1,777 1,822
R&D	624	692	725	R&D	167	171	175 179
Other expense	0	0	0	Other expense	-	-	- -
Total operating expenses	6,556	7,354	7,814	Total operating expenses	1,790	1,822	1,847 1,896
Operating income	2,974	3,565	3,781	Operating income	824	881	928 933
Interest expense	-	-	-	Interest expense	-	-	- -
Other income / (expense)	(681)	(595)	(460)	Other income / (expense)	(175)	(140)	(140) (140)
Pretax income	2,826	3,392	3,681	Pretax income	756	846	893 898
Income taxes	772	884	994	Income taxes	172	228	241 242
Net Income	2,054	2,509	2,687	Net Income	584	617	652 655
EPS PF	1.18	1.42	1.51	EPS PF	0.33	0.35	0.37 0.37
Options expense per share	(0.13)	(0.15)	(0.16)	Options expense per share	(0.04)	(0.04)	(0.04) (0.04)
FAS 123 EPS	1.05	1.27	1.35	FAS 123 EPS	0.30	0.31	0.33 0.33
Diluted shares outstanding	1,962	1,976	1,984	Diluted shares outstanding	1,973	1,975	1,977 1,979
Balance Sheet and Cash Flow Data				Ratio Analysis			
	FY10A	FY11E	FY12E		FY10A	FY11E	FY12E
Cash and short-term investments	11,008	12,338	13,554	Sales growth	(13.4%)	16.7%	5.0%
Inventories	1,051	1,253	1,318	EBIT growth	(19.2%)	19.9%	6.0%
Accounts receivable	5,837	6,480	6,836	EPS growth	(27.1%)	21.3%	6.7%
Other	6,349	6,840	7,081	Gross margin	18.0%	17.7%	17.9%
Total current assets	24,245	26,912	28,789	EBIT margin	5.6%	5.8%	5.8%
Net property, plant and equipment	2,181	2,275	2,584	EBITDA margin	7.2%	7.4%	7.5%
Long-term portfolio investments	781	693	665	Tax rate	27.3%	26.1%	27.0%
Other assets	6,445	6,897	7,177	Net margin	3.9%	4.1%	4.1%
Total assets	33,652	36,776	39,215	Return on assets (ROA)	6.8%	7.1%	7.1%
Current debt	663	1,079	1,079	Return on equity (ROE)	41.4%	42.4%	41.5%
Accounts payable	11,373	12,685	13,348	Free cash flow yield	16.7%	16.3%	16.9%
Accrued expenses and other	6,924	7,096	7,755				
Total current liabilities	18,960	20,860	22,182				
Long-term debt	3,417	3,582	3,582				
Other non-current liabilities	5,634	6,156	6,664				
Total liabilities	28,011	30,598	32,427				
Shareholders' equity	5,641	6,178	6,787				
Total liabilities & shareholders' equity	33,652	36,776	39,215				
Net Income	2,054	2,509	2,687				
D&A	852	1,020	1,101				
Other	-	-	-				
Change in working capital	769	661	661				
Cash flow from operations	3,906	3,623	3,575				
Capex	(351)	(272)	(309)				

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Jan



## Other Companies Recommended in This Report (all prices in this report as of market close on 20 May 2010)

Apple Inc. (AAPL/\$237.76/Overweight), Hewlett-Packard (HPQ/\$45.95/Overweight), IBM (IBM/\$123.80/Overweight)

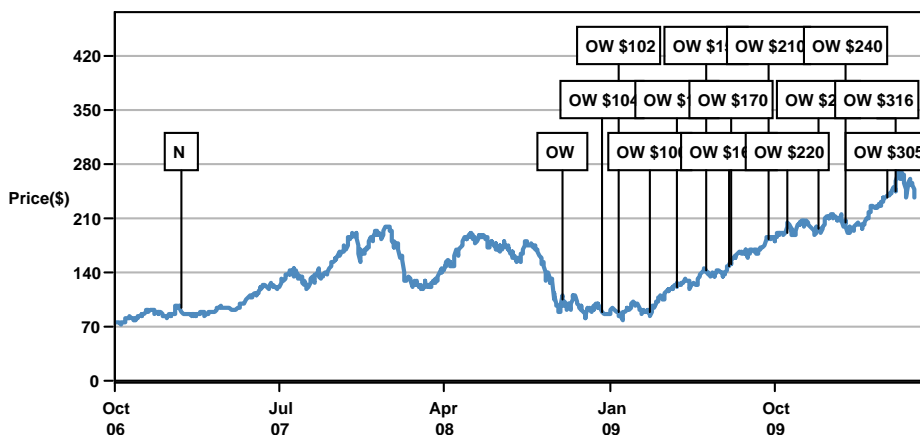
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- **Director:** A senior employee, executive officer or director of JPMorgan Chase & Co., JPMSI, and/or its affiliates is a director and/or officer of Dell Inc., Hewlett-Packard.
- **Analyst Position:** The following analysts (and/or their associates or household members) own a long position in the shares of Hewlett-Packard: Anthony Luscri.
- **Client of the Firm:** Apple Inc. is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company non-investment banking securities-related services and non-securities-related services. Dell Inc. is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services, non-investment banking securities-related services and non-securities-related services. Hewlett-Packard is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services, non-investment banking securities-related services and non-securities-related services. IBM is or was in the past 12 months a client of JPMSI; during the past 12 months, JPMSI provided to the company investment banking services, non-investment banking securities-related services and non-securities-related services.
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- **Investment Banking (next 3 months):** JPMSI or its affiliates expect to receive, or intend to seek, compensation for investment banking services in the next three months from Dell Inc., Hewlett-Packard, IBM.
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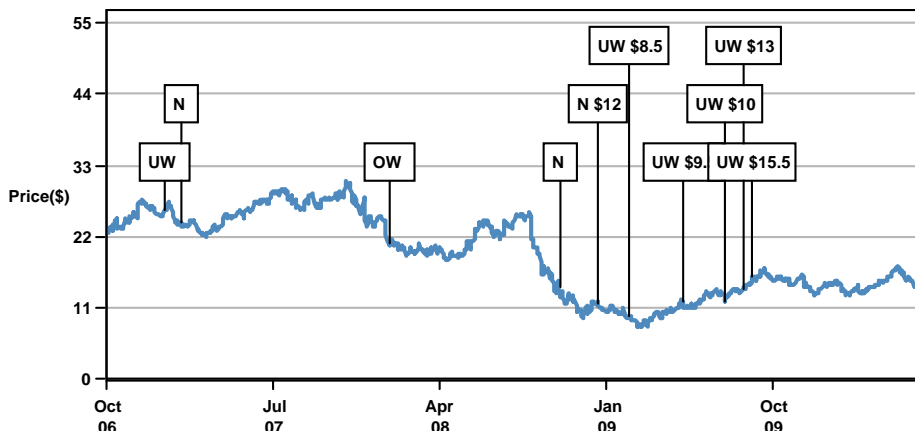
Apple Inc. (AAPL) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
18-Jan-07	N	94.95	--
15-Oct-08	OW	104.08	--
18-Dec-08	OW	89.16	104.00
14-Jan-09	OW	87.71	102.00
06-Mar-09	OW	88.84	100.00
23-Apr-09	OW	121.51	135.00
09-Jun-09	OW	143.85	155.00
17-Jul-09	OW	147.52	167.50
22-Jul-09	OW	151.51	170.00
21-Sep-09	OW	184.02	210.00
20-Oct-09	OW	189.86	220.00
14-Dec-09	OW	196.98	230.00
26-Jan-10	OW	203.08	240.00
05-Apr-10	OW	235.97	305.00
21-Apr-10	OW	244.59	316.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Break in coverage May 01, 1999 - Oct 18, 2001, and Sep 12, 2002 - Dec 02, 2003. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

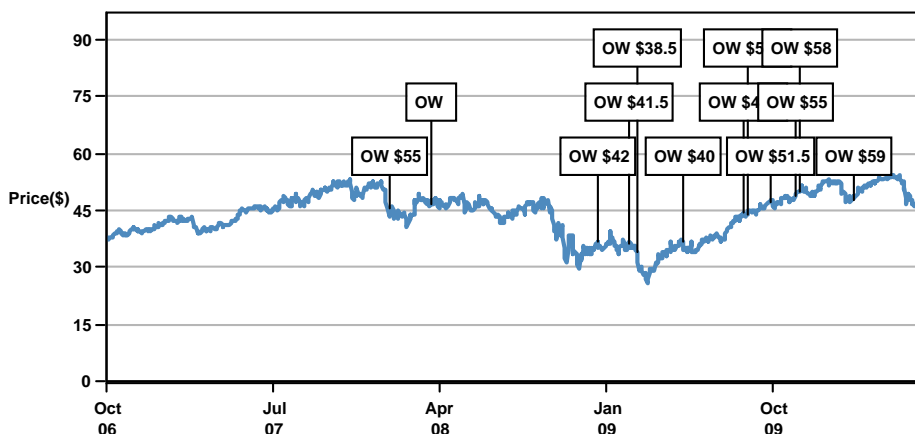
#### Dell Inc. (DELL) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
05-Jan-07	UW	26.24	--
01-Feb-07	N	24.22	--
11-Jan-08	OW	20.94	--
15-Oct-08	N	14.08	--
18-Dec-08	N	11.68	12.00
05-Feb-09	UW	9.79	8.50
06-May-09	UW	11.86	9.50
15-Jul-09	UW	11.97	10.00
13-Aug-09	UW	13.84	13.00
28-Aug-09	UW	15.65	15.50

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Break in coverage Jan 01, 2001 - Aug 17, 2001, and Jul 12, 2002 - Aug 09, 2002. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

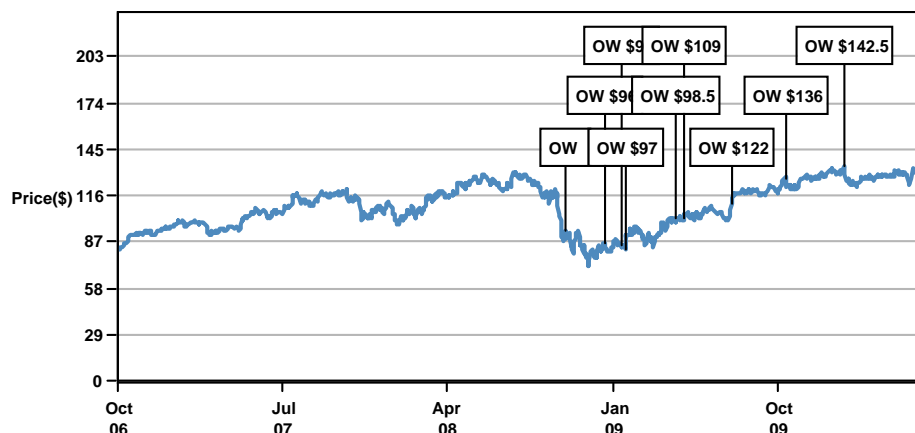
#### Hewlett-Packard (HPQ) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
11-Jan-08	OW	45.34	55.00
18-Mar-08	OW	46.42	--
18-Dec-08	OW	36.47	42.00
05-Feb-09	OW	36.03	41.50
19-Feb-09	OW	34.08	38.50
06-May-09	OW	36.80	40.00
13-Aug-09	OW	44.18	49.50
19-Aug-09	OW	43.96	50.50
25-Sep-09	OW	46.87	51.50
06-Nov-09	OW	48.85	55.00
12-Nov-09	OW	50.00	58.00
09-Feb-10	OW	47.59	59.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Break in coverage Jul 12, 2002 - Aug 09, 2002. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

# IBM (IBM) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Break in coverage Jul 12, 2002 - Aug 09, 2002. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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Coverage Universe: **Mark Moskowitz:** Agilent Technologies (A), Apple Inc. (AAPL), Brocade (BRCD), Dell Inc. (DELL), EMC (EMC), Emulex Corp. (ELX), Hewlett-Packard (HPQ), IBM (IBM), Lexmark International (LXK), National Instruments (NATI), NetApp (NTAP), QLogic Corporation (QLGC), STEC (STEC), Seagate Technology (STX), Voltaire (VOLT), Western Digital (WDC), Xerox Corporation (XRX)

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IB clients*	48%	46%	32%
JPMSI Equity Research Coverage	42%	49%	10%
IB clients*	70%	58%	48%

\*Percentage of investment banking clients in each rating category.

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